

## Message Text

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ACTION EB-07

INFO OCT-01 AF-10 ARA-14 EUR-12 ISO-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 EPG-02 AID-05 SS-15

STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02

FEAE-00 OMB-01 AGR-10 /130 W

-----101950Z 024256 /72

P 101600Z JUN 77

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 2156

INFO AMEMBASSY LONDON

AMEMBASSY ANTANANARIVO

AMEMBASSY ABIDJAN

AMEMBASSY SAL SALVADOR

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 4751

E.O. 11652: N/A

TAGS: EAGR, EPAP, ETRD, BR, ES, IV, MA

SUBJECT: FURTHER PRESS REPORTS ON BRAZILIAN PURCHASES OF  
COFFEE

REF: (A) BRASILIA 4651 (NOTAL), (B) RIO DE JANEIRO 2639

1. SUMMARY. JUNE 8 AND 9 PRESS REPORTED FURTHER DETAILS  
ON BRAZIL'S COFFEE PURCHASE PLANS, AND CONFIRMED COFFEE  
PURCHASE FROM MALAGASY REPUBLIC (MADAGASCAR). END SUMMARY.

2. GAZETA MERCANTIL (SAO PAULO) OF JUNE 8 PUBLISHED TEXT  
ON INTERBRAS ANNOUNCEMENT CONFIRMING PURCHASE OF 300,000  
BAGS OF CENTRAL AMERICAN COFFEE (NOT NECESSARILY SALVADOREAN)  
FROM SALVADOREAN COFFEE COMPANY COSCAFE. ANNOUNCEMENT ALSO  
SAID THAT INTERBRAS AND IVORY COAST HAD REACHED AGREEMENT  
IN PRINCIPLE ON COFFEE PURCHASE BY INTERGRAS, AND THAT  
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NEGOTIATIONS WERE PROCEEDING WITH MADAGASCAR. THE  
ANNOUNCEMENT WENT ON TO SAY THAT IMPORTATION BY BRAZIL  
OF CHEAPER ROBUSTA COFFEE WOULD FREE AN EQUAL AMOUNT  
OF MORE EXPENSIVE BRAZILIAN ARABICA FOR EXPORT, GIVING  
BRAZIL A FOREIGN EXCHANGE ADVANTAGE IN THE TRANSACTION.

3. GAZETA MERCANTIL ARTICLE ALSO SAID THAT SALVADOREAN

PURCHASE WAS PART OF CONTRACT SIGNED IN 1976 WHICH EN-  
VISAGED EVENTUAL PURCHASE OF 510,000 BAGS. ACCORDING  
TO ARTICLE, LOCAL COFFEE SOURCES WERE NOT SURPRISED BY  
THESE INTERBRAS MOVES, SINCE THEY FLOWED LOGICALLY FROM  
GOB PRESIDENT GEISEL'S STATEMENT AT THE RECENT GUARUJA  
(SANTOS) COFFEE SEMINAR THAT BRAZIL WOULD UNDER-  
TAKE TO SUPPORT THE PRICE OF COFFEE IN THE WORLD MARKET.  
(GUARUJA CONFERENCE WILL BE REPORTED SEPARATELY BY CONGEN  
SAO PAULO.) ARTICLE SAID THAT IVORY COAST AND MADAGASCAR  
COFFEE WOULD BE IMPORTED FOR DOMESTIC CONSUMPTION, WHILE  
SALVADOREAN COFFEE WOULD BE IMPORTED, PROCESSED INTO  
SOLUBLE COFFEE, AND EXPORTED.

4. JUNE 8 O ESTADO DE SAO PAULO STATED THAT COFFEE FROM  
EL SALVADOR WOULD BE ARRIVING IN BRAZIL STARTING IN JULY.  
ARTICLE DEVOTED ATTENTION TO PROBLEM CAUSED BY FACT THAT  
BRAZIL IS NOT CONSIDERED A CONSUMER COUNTRY BY ICO AND  
AND EXPORTS TO BRAZIL WOULD NOT BE COUNTED TOWARD  
EXPORTER'S FUTURE ICO QUOTA. ARTICLE SAYS THAT THIS  
PROBLEM WILL BE AVOIDED BY TRANSFORMING ALL INTERBRAS-  
PURCHASED COFFEE INTO SOLUBLE FOR RE-EXPORT UNDER A  
"DRAW-BACK" ARRANGEMENT WHICH IS TECHNICALLY NOT AN  
IMPORT-EXPORT OPERATION (SEE PARA 7 FOR CLARIFICATION).

5. O ESTADO ARTICLE QUOTED PARANA COFFEE MERCHANTS AS  
SAYING THAT THE INTERBRAS PURCHASES WILL "STRENGTHEN  
THE MARKET (PRICE) BECAUSE A GREAT DEAL OF COFFEE WILL  
BE PULLED FROM THE MARKET," AND THAT IT WAS "THE  
LEAST POLEMIC WAY OF INTERVENING IN THE MARKET,  
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BECAUSE THE PURCHASE OF COFFEE ON THE COFFEE EXCHANGES  
WOULD GENERATE SERIOUS PROBLEMS."

6. JORNAL DO BRASIL (RIO) OF JUNE 9 REPORTED THAT  
INTERBRAS HAD CONCLUDED 10,000 TONS (176,000 BAG) COFFEE  
PURCHASE FROM MADAGASCAR. ARTICLE SAID COFFEE WAS  
DESTINED FOR BRAZILIAN DOMESTIC MARKET, WHICH WOULD  
PERMIT EXPORT OF EQUAL AMOUNT OF MORE EXPENSIVE BRA-  
ZILIAN ARABICA (SEE ALSO PARA 2). ARTICLE SAID  
NEGOTIATIONS WERE CONTINUING WITH IVORY COAST, BUT  
THAT IVORY COAST COFFEE REPRESENTATIVES HERE WERE  
AWAITING INSTRUCTIONS FROM THIER GOVERNMENT.

7. ESTADO DE SAO PAULO OF JUNE 9 CARRIED CORRECTION  
ON JUNE 8 STORY, AND REPORTED THAT BRAZIL WAS NOT  
COMMITTED TO A DRAWBACK OPERATION; SOLUBLE COFFEE  
PRODUCED FROM SALVADOREAN COFFEE MIGHT BE SOLD ON THE  
DOMESTIC MARKET.

8. PRESS STORIES HAVE PROVIDED LITTLE HARD INFORMATION ON INTERBRAS PURCHASES OTHER THAN AMOUNTS INVOLVED, AND STORIES ARE OCCASIONALLY CONFLICTING. CONGEN RIO ATTEMPTING TO OBTAIN DETAILS AND CLARIFICATIONS ON PURCHASES FROM INTERBRAS AND IBC, BUT INTERBRAS HAS SO FAR NOT BEEN HELPFUL. WE WOULD APPRECIATE ANY INFORMATION ON PURCHASES THAT AMEMBASSIES SAN SALVADOR, ABIDJAN, AND ANTANANARIO CAN PROVIDE.  
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## Message Attributes

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